



General Assembly

Substitute Bill No. 5140

February Session, 2012

* ____HB05140BA____040412____ *

**AN ACT CONCERNING PAYMENT OF INSURANCE SETTLEMENT
PROCEEDS TO AN INSURED BY A MORTGAGE HOLDER.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-498 of the 2012 supplement to the general
2 statutes is amended by adding subsection (i) as follows (*Effective*
3 *October 1, 2012*):

4 (NEW) (i) (1) No mortgage holder, as defined in section 49-10b, shall
5 unreasonably withhold from the borrower of a residential mortgage
6 loan a payment of insurance settlement proceeds or an endorsement of
7 an insurance settlement proceeds payment instrument, that is issued
8 by an insurance company insuring the residential real property that
9 serves as collateral for such residential mortgage loan, when:

10 (A) Such payment is made by the insurance company for a covered
11 loss and the payees jointly named on the payment instrument are the
12 borrower and the mortgage holder;

13 (B) The borrower has provided the mortgage holder with such
14 information, documents and agreements as may be reasonably
15 requested to allow the mortgage holder to evaluate and manage the
16 risks associated with the covered loss, including information regarding
17 the property, the loss, the insurance claim and the cost, value and
18 feasibility of any proposed repairs;

19 (C) The borrower has satisfied any reasonable conditions the
20 mortgage holder may establish to protect the mortgage holder's
21 interest in such residential real property and the mortgage holder's
22 ability to recover the mortgage debt, including completion of any
23 repairs reasonably required; and

24 (D) The borrower has provided the mortgage holder with a
25 reasonable opportunity to verify that (i) the conditions established
26 pursuant to subparagraph (C) of this subdivision have been satisfied,
27 including inspection of such residential real property and of any
28 required repairs, and (ii) sufficient collateral value for such residential
29 real property exists to support the release of the insurance settlement
30 proceeds.

31 (2) No mortgage holder shall be deemed to unreasonably withhold a
32 payment or endorsement if the mortgage holder:

33 (A) Provides such payment or endorsement to the borrower not
34 later than ten business days after such borrower satisfies the applicable
35 conditions and requirements of subparagraphs (B) to (D), inclusive, of
36 subdivision (1) of this subsection;

37 (B) (i) Does not specify or establish any conditions or requirements
38 under subparagraphs (B) to (D), inclusive, of subdivision (1) of this
39 subsection within ten business days after the mortgage holder receives
40 such insurance settlement proceeds, and (ii) the mortgage holder
41 provides such payment or endorsement to the borrower not later than
42 the expiration of such ten-day period;

43 (C) Withholds payment or endorsement because, in the reasonable
44 judgment of the mortgage holder, such payment or endorsement will
45 impair or jeopardize the mortgage holder's ability to recover the
46 mortgage debt; or

47 (D) Withholds payment or endorsement because the borrower is in
48 default of the residential mortgage loan.

49 (3) Nothing in this subsection shall be construed to affect any
50 contractual rights of a mortgage holder or to prohibit or prevent a
51 mortgage holder from disbursing partial payments to a borrower of
52 any such insurance settlement proceeds as repairs are completed and
53 sufficient collateral value is restored to such residential real property.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2012</i>	36a-498
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BA *Joint Favorable Subst.*